

R.J. REYNOLDS

Tobacco Company

May 27, 1998

Dennis R. Bellinger
Key Account Manager

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V. Mail (800)757-8255 Ext. 54365

TO: ROU 1110 ROU 1710 ROU 2310 ROU 5410 ROU 6310
ROU 1210 ROU 1810 ROU 2610 ROU 5610 ROU 6610
ROU 1310 ROU 2110 ROU 2910 ROU 5810 ROU 6710
ROU 1610 ROU 2210 ROU 5110 ROU 6210 ROU 6910

PLEASE DISTRIBUTE TO ALL RJR PERSONNEL WITH K-MART/SUPER K
RESPONSIBILITIES, CHAIN ID #0002-XX-XX

RE: K-MART/SUPER K MERCHANDISING UPDATE

This forwards an update on the merchandising status for all Kmart/Super K stores. As you know, effective January 1, 1998, we discontinued all contracts/payments for both Kmart and Super K locations. Although this was a difficult decision, it was the correct one. Overall volume concerns as well as our inability to gain an acceptable level of presence for our products were the overriding factors in our decision. With that in mind, let me share with you what is going on with Kmart from here on out.

1. All contracts have been removed from SIS, and thus there should be no promotional activity of any type taking place with this chain.
2. Currently, there could be any one of three merchandising scenarios in place at retail level. They are as follows:
 - ♦ Cigarettes being merchandised self-service on gondola shelving at either the first or second checkout.
 - ♦ A non self-service set on PM fixtures at the service counter.
 - ♦ A lobby set utilizing RJR fixtures. Please note that if our fixtures are in the store, we will continue to occupy the top two shelves on the carton merchandiser and the primary space on the package rack. There should be no exceptions!

Handwritten notes and circled numbers:

Sales *Retail*

1221 _____ (1222) 21, 23, 25, 26, 28
1222 _____ (1223) 20, 21, 22, 23, 25, 27, 28, 29
(1223) 3, 4, 6, 8 (1226) 26, 27, 28
(1224) 2, 11 (1229) 29, 30
1225 _____ (1228) _____
(1228) _____
1229 _____ (PC) (SC)
1240 _____ (MC) (PA)
1241 _____ (RSM) (RSM)

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RJR PERSONNEL

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NOTE: Plan-o-grams should be on file at your ROU for all of the above-mentioned merchandising scenarios.

3. Kmart Best Value is still authorized and should be in distribution in all stores. As information, we are currently analyzing the feasibility of maintaining this brand for Kmart.

4. As resets take place (I'm guessing they will continue), RJR fixtures will be destroyed unless you have made previous arrangements with store personnel. If you have any need for these merchandisers, address it with the store.

5. Please continue to follow your regional PMX coverage guidelines relative to calling on your Kmart/Super K stores for the purpose of rotating stock, handling outdated product, etc.

If, in the future, you have questions relative to this chain that cannot be answered by your immediate manager or your ROU, you can contact me through voice mail #54365 or contact Jamie Flanagan at voice mail #843224. Thanks for your help.

Sincerely,

Dennis

Dennis R. Bellinger

cc: Jack Geeting
DRB/jmf

KMARTLTR.DOC

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To: 2210 - Atlanta ROU, 2110 - Winston-Salem ROU, 1710 - Pittsburgh ROU,
- 1810 - Cincinnati ROU (WEBSTES), 6610 - Denver ROU, 6210 - Chicago ROU,
2610 - Dallas ROU, 6710 - Detroit ROU, 5110 - N. California ROU (MORRISL),
6910 - St. Louis ROU (JOHNSOK4), 1210 - New York ROU (ALVICH),
5810 - Houston ROU (HOWARDC), 6310 - Minneapolis ROU (EUBANKS),
5610 - Seattle ROU (SCOTTS), 5410 - S. California ROU (PECKHAK),
1310 - Philadelphia ROU (METZG), 1110, 2310 - S. Florida ROU (LAIRDS),
1610 - Buffalo ROU (BRZEZIE), 2910 - Richmond ROU (YOUNGP)
From: 6742 - Lansing Chain (FLANAGJ)
Posted: 5/27/98 11:50
Opened: 5/27/98 12:31
Subject: K-mart/Super K, 0002-XX-XX

Please distribute the attached letter.

CC: Geeting, Jack

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